

EQUITY RESEARCH

RACING FORCE SPA
FEEDBACK

BUY

TP 6.5€

Up/Downside: 16%

Confidence Remains Essential

Yesterday, management reviewed the H1 results publication and took stock of its motorsport activity as well as its diversification projects. The outlook still seems strong with 2 levers identified for 2024: the US and diversification projects.

Paolo Delprato, Alex Haristos and Roberto Ferroggiaro, respectively CEO, COO and CFO of the group, reviewed the H1 publication and discussed what awaited RFG in the coming months. Concerning the core activity (motorsports), the message was rather reassuring with strong growth recorded over the first two months of H2. Our point of attention will remain the American market, which we had identified as a very important growth lever for the group, but which seems impacted by a challenging macroeconomic environment for FY 2023. If the area would have posted double-digit growth (against -0.6% published) excluding an exceptional order placed in H1 2022, we expected an AMER zone to drive the group's growth driven by the SFI approved ranges launched at the start of 2023, it is Europe which is ultimately once again became the area contributing the most to growth (+15.7% in H1). The group is currently in discussions with a view to signing new partnerships with big names in motorsport in the USA in order to increase its visibility. In addition, the RFG World Meeting, an annual event bringing together the largest distributors in the industry from more than 40 countries (including the USA), which will see the group present all of its products for the year 2024, will be held this month, next.

Regarding the diversification projects, everything seems ready for Lift (which will also be present at the RFG World Meeting). If the first deliveries (around a hundred helmets) were made this summer, the new production force (whose training time for this type of product is between 6 and 8 months) will be ready for the expected ramp-up from next year. The Gladiator Helmet as well as the riot helmet should be marketed in H2 2024. Finally, certain information was also provided regarding the Driver's Eye. While the technology has made its debut in two new automobile championships in 2023, the group is also in discussions with a major player in the sports eyewear industry in order to incorporate the mini camera into ski or motocross goggles, which could give rise to new contracts in the coming months.

The outlook remains strong with significant potential for outperformance linked to diversification projects (particularly in 2024), we are reiterating our Buy rating and TP of €6.5.

Key data

Price (€)	5.6
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	143.9
Next event	Q3 Revenue - 10/19/2023

Ownership (%)

SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Free float	42.3

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.25	0.30	0.34
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	2.2	-4.1	1.8
Rel FTSE Italy	4.1	-7.0	-15.7



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	66.0	71.8	76.1	EV/Sales	2.2	2.0	1.8
Current Op Inc (m €)	8.8	9.1	11.0	12.3	EV/EBITDA	11.6	9.6	8.4
Current op. Margin (%)	15.0	13.8	15.3	16.1	EV/EBIT	16.0	12.9	11.0
EPS (€)	0.32	0.25	0.30	0.34	PE	22.6	18.6	16.6
DPS (€)	0.12	0.10	0.12	0.13				
Yield (%)	2.1	1.8	2.1	2.4				
FCF (m €)	-1.4	-0.1	6.4	8.7				

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	33.7	46.7	58.8	66.0	71.8	76.1
Changes (%)	31.2	38.4	25.9	12.3	8.8	6.0
Gross profit	20.1	27.2	36.8	40.8	44.7	47.6
% of Sales	59.7	58.3	62.6	61.8	62.3	62.6
EBITDA	5.4	7.9	11.7	12.5	14.7	16.1
% of Sales	15.9	16.9	19.8	18.9	20.5	21.2
Current operating profit	2.8	5.5	8.8	9.1	11.0	12.3
% of Sales	8.4	11.8	15.0	13.8	15.3	16.1
EBIT	2.8	5.5	8.8	9.1	11.0	12.3
Net financial result	-0.7	-0.3	-0.1	-0.3	-0.3	-0.3
Income Tax	-0.7	-1.1	-1.2	-2.5	-3.0	-3.3
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
Net profit, group share	1.4	4.2	7.5	6.4	7.7	8.7
EPS	0.07	0.18	0.32	0.25	0.30	0.34
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	20.0	20.9	20.3
Right of Use	4.1	2.4	3.1	3.1	3.1	3.1
Financial assets	1.8	0.4	0.3	0.3	0.3	0.3
Working capital	10.0	12.5	19.8	21.8	22.2	22.8
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
Assets	30.7	34.7	45.6	52.1	53.4	53.4
Shareholders equity group	8.2	29.9	36.5	49.7	54.9	60.5
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.3	1.3	1.3
Net debt	21.2	3.5	7.8	1.0	-2.8	-8.5
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
Liabilities	30.7	34.7	45.6	52.1	53.4	53.4
Net debt excl. IFRS 16	17.0	1.0	4.5	-2.3	-6.1	-11.7
Gearing net	2.5	0.1	0.2	0.0	-0.1	-0.1
Leverage	4.0	0.4	0.7	0.1	-0.2	-0.5
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	9.8	11.5	12.5
Δ WCR	-1.7	-2.2	-8.0	-2.0	-0.4	-0.5
Operating cash flow	2.4	4.5	3.2	7.8	11.0	12.0
Net capex	-1.1	-5.3	-4.5	-7.9	-4.7	-3.3
FCF	1.2	-0.8	-1.4	-0.1	6.4	8.7
Free Cash Flow excl IFRS 16	17.0	1.1	4.5	-2.3	-6.1	-11.7
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	5.9	-2.5	-4.4	0.0	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-3.0	-2.5	-3.1
Repayment of leasing debt	-0.7	-0.3	-0.7	0.0	0.0	0.0
Equity Transaction	0.5	18.8	0.0	10.0	0.0	0.0
Others	-3.6	-0.4	0.1	0.0	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	6.8	3.8	5.6
ROA (%)	3.3%	6.4%	10.7%	7.4%	8.3%	8.7%
ROE (%)	17.5%	13.9%	20.7%	12.8%	14.1%	14.3%
ROCE (%)	7.0%	12.8%	16.8%	12.7%	14.9%	16.7%

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This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

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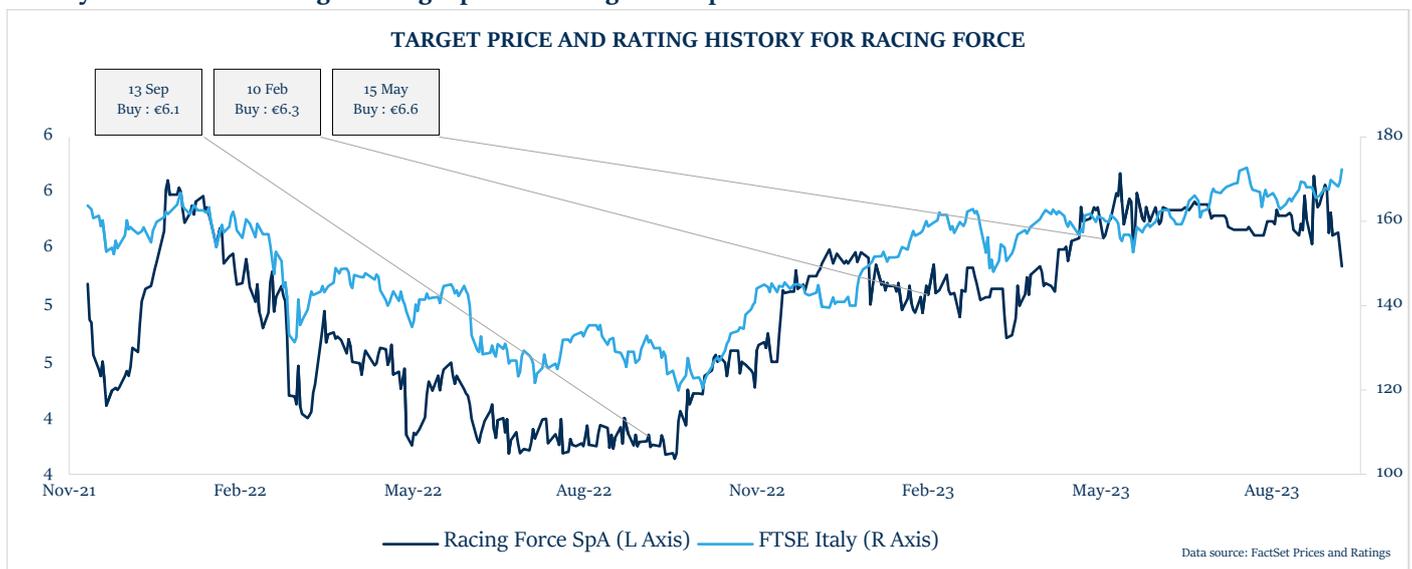
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	66%
Hold	16%	44%
Sell	3%	25%
Under review	1%	100%

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Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

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